GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:380
ANSWERED ON:25.02.2000
SAFEGUARDING INTERESTS OF SMALL INVESTORS
HARIBHAI PARTHIBHAI CHAUDHARY;MADAN PRASAD JAISWAL;SUSHIL KUMAR INDORA

Will the Minister of FINANCE be pleased to state:

(a) the details of those legal and administrative measures through which the interests of small and individual investor can be safeguarded;

(b) the steps have been taken by the Government in this regard and the manner in which these steps are different from the steps taken earlier; and

(c) the role of SEBI alongwith the details of efforts made by SEBI in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI BALASAHEB VIKHE PATIL)

(a), (b) & (c). Companies which mobilise resources through public issues in the capital market come under the regulatory purview of the Securities and Exchange Board of India (SEBI). In the primary market, for initial public offer, SEBI has introduced requirements o a track record of distributable profits for at least three years out of the immediately preceding five years and a pre-issue net worth of Rs one crore in three out of the preceding five years. SEBI`s regulationsfor collective investment schemes have been recently notified. In the secondary market, SEBI has advised all stock exchanges to augment their Investor Protection Funds and to set up Trade Guarantee/ Settlement Guarantee Funds. Other measures by SEBI include a margining system, implementation of circuit filters, gross exposure limits for stock brokers linked with capital adequacy and dematerialisation of securities. Companies which take deposits from the public are regulated by the Department of Company Affairs. A Bill has been introduced proposing an amendment in the Companies Act, providing inter alia, that every company which accepts deposits from small investors shall intimate to the Company Law Board any default made by it in repayment of such deposits; to hold directors of the company responsible for any contraventions of the provisions of the Act; and to provide that the small shareholders will have a right to elect at least one director in public companies. This Bill is currently before Parliament. The Non-Banking Finance Companies (NBFCs) are under the jurisdiction of the Reserve Bank of India (RBI). The Reserve Bank of India Act has been amended providing for compulsory registration and prudential financial norms for NBFCs.